

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

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**ADP BULLETIN**

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| Title SUBSTANCE ABUSE AND CRIME PREVENTION ACT OF 2000 (SACPA) REIMBURSEMENT METHODOLOGIES | | Issue Date: 9-16-02 Expiration Date: | Issue No. 02-17 |
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PURPOSE

This bulletin provides clarifying information regarding the reimbursement methodologies available to counties for payment of services rendered to SACPA clients.

DISCUSSION

Several issues have arisen from counties and providers that require clarification, as follows:

1. There has been some confusion over the belief that the SACPA regulations limit the reimbursement for SACPA services to the actual costs incurred by the providers.
2. Situations have arisen where counties have dictated to providers SACPA rates that do not cover the providers' costs of services.
3. Situations have arisen where providers have demanded reimbursement from counties using their own rate structure for SACPA clients.

Reimbursement Methodologies

SACPA regulations do not and cannot supercede existing law that governs allowable reimbursement methodologies between counties and providers of drug treatment services. Pursuant to Health and Safety (H&S) Code Section 11987.5, counties must pay providers either actual costs incurred for the provision of services (fairly self-explanatory) or a negotiated rate per unit of service provided. The only restriction in H&S Code Section 11987.5 that limits the use of negotiated rates occurs when the funding mix includes Drug Medi-Cal (DMC).

Negotiated Rates

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Considerable discussion of the negotiated rate reimbursement methodology may be found in ADP Bulletins #98-16 and #98-17, which are accessible on ADP's Web page located at www.adp.state.ca.us under ADP Bulletins or Audit Bulletins. Key points to remember in establishing negotiated rates for SACPA services are as follows:

1. A negotiated rate is considered to be the cost of services. Although there is no settlement to actual costs at year-end, providers must furnish the county with actual cost information for use in future rate negotiations. Refer to H&S Code Section 11987.5(a)(1).
2. Based on H&S Code Section 11987.5(a)(1), a properly developed negotiated rate includes the following:
 - a. The rate is "negotiated" between the county and the individual provider. This one-to-one negotiation is clear in the context of the Code language, as the term "provider" is singular throughout this section. A countywide schedule of prescribed rates for various types of services does not meet this requirement.
 - b. A negotiated rate is based on the provider's projected costs (and offsetting revenues) of providing the services for which the county wishes to contract. The provider's historical information, such as prior year costs, revenues, and units of service, is to be considered if available.
 - c. Projected costs used to establish a negotiated rate do not include costs that are unallowable. Otherwise, the rate would circumvent applicable cost principles/restrictions related to the specific funding involved. In the case of SACPA, the costs must be allowable pursuant to Title 9, California Code of Regulations (CCR), Section 9530.
 - d. A negotiated rate does not purposely include a profit component, as profit is not considered a necessary cost of providing services, as required by H&S Code Section 11818(a). For SACPA services, Title 9, CCR, Section 9530 requires that providers' reimbursable costs must be allowable in accordance with OMB Circular A-122. Necessity of costs is a key principle of that Circular. Any profit made from a negotiated rate should be the result of the provider's operational efficiencies.

- e. Because a negotiated rate is based on provider's costs, it does not vary based solely on funding sources, unless the services being provided differ in some manner. Any such differences in services should be documented and justified as clearly as possible to avoid audit exceptions. For example, a negotiated rate that includes a drug-testing component would have to be discounted if funds from the State's Substance Abuse Treatment Trust Fund (SATTF) are used, because those funds are prohibited to be used for drug testing by H&S Code Section 11999.6. A discount would not be necessary if other funds, such as Substance Abuse Prevention and Treatment (SAPT) Block Grant (particularly those appropriated by SB 223), State General Fund, or other county funds, are included in the contract funding mix to cover this component of the negotiated rate. However, Counties must remember that the SAPT Block Grant funds cannot be paid to (or on behalf of) for-profit organizations. Therefore, for treatment providers that are for-profit organizations, the SAPT Block Grant funds appropriated under SB 223 for drug testing cannot be used to augment SATTF funds for the cost of drug testing.
3. Negotiated rates should be reviewed annually and adjusted to conform to changes in historical cost and service patterns and to account for projected changes in the year ahead.

Drug Medi-Cal

As indicated in H&S Code Section 11987.5(a)(2), in instances where a provider receives both DMC and other state and/or federal funds (which would include SATTF funding), reimbursement is determined through a year-end settlement to actual costs in accordance with Medi-Cal cost principles. Any negotiated rate established for SACPA (or any other non-DMC federal or state funding) would be treated as a provisional rate and adjusted to actual cost through the year-end settlement. The amount of costs allocated to SACPA must be based on the relative benefit received. In other words, the cost attributed to SACPA must be proportional to the amount of service provided to SACPA clients, in relation to other clients.

Narcotic Treatment Programs

Narcotic Treatment Programs (NTP) may be treated differently and may also be affected by pending legislation (SB 1447). The Department anticipates issuing a bulletin specific to NTPs after it is known whether the bill will become law.

REFERENCES

H&S Code Section 11818(a)
H&S Code Section 11987.5
H&S Code Section 11999.6
Title 9, CCR, Section 9530
ADP Bulletin #98-16
ADP Bulletin #98-17

HISTORY

The allowable methods for counties to reimburse treatment providers have been explained in the H&S Code since at least 1984. In the interim, various forms of reminders have been provided and audit findings have confirmed this information.

QUESTIONS/MAINTENANCE

If you have questions about this matter or any other issue relating to SACPA implementation, please contact Mike Chmielewski at (916) 324-0238 or Gary Bellamy at (916) 322-4834.

EXHIBITS

None

DISTRIBUTION

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bcc: All Executive Staff
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